Retirement Planning of Farm Families

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This is a summary of a study conducted with farm families in several states in 2001 to learn how farm families plan for retirement and farm transfer. Sharon DeVaney, Associate Professor at Purdue University in Indiana, conducted interviews and focus groups with farmers and spouses during a 4 month period. The United States Department of Agriculture and the National Endowment for Financial Education were sponsors of the study.

Retirement was generally described as still being involved with the farm operation, but working fewer hours. Preparation for the future consisted of several approaches, such as paying off debt, buying more land, or off-farm work by one or more family members. Farmers obtained information about planning for the future from their accountants, other farmers, the Cooperative Extension Service, farm organizations, publications, and the Internet. Barriers to retirement planning included the lack of a successor for the farm operation and/or feeling that they could not afford to retire. A decline in overall health often prompted the idea that it was time to reduce their work load.

Suggestions

1.Opportunities to improve cash flow.

If one or more members of the family worked off-farm, the benefits of the job such as improved cash flow and possible access to health and a benefits were always mentioned. The possibility to bring employment to the community at a level higher than minimum wage jobs is needed. Another aspect of this was the need for training in computer use to gain skills wanted by employers.

2. Diversification and investment for the future.

Only a few families mentioned that they had investments that were separate from the farm or farm property. Many were not aware of the use of Individual Retirement Accounts, Simplified Employee Pension Plans, or SIMPLE plans. A few farmers with full-time employees had established savings plans for themselves and their employees. Workshops to provide information on tax-advantaged savings plans could be useful.

3. Acceptance of those who don't want to retire.

There were many older farmers who could not imagine doing anything but farming. There should be acceptance of this alternative. However, these farmers could benefit from learning about diversification of investments in case their plans change or they encounter poor health or some other unexpected situation arises.

4. Target young families for "life planning."

While many young farm families may be planning long-term, some may not have thought about it. They should be encouraged to think in terms of "life planning" instead of retirement planning.

5. Emphasis on communication with all family members.

Daughter- and son-in-laws may be omitted from some family discussions and decision making about the future. Families who held regular farm business meetings reported that they benefitted from the sharing of ideas.

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The study was funded by the United States Department of Agriculture (OYJ15) and the National Endowment for Financial Education (006.02.2000).